2000 ANNUAL REPORT

SASKATCHEWAN GOVERNMENT GROWTH FUND III LTD.

SGGF III

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

Fund Profile & Financial Highlights 1

Board of Directors and Officers 2

Message to Investors 3

Investment Profiles 4

Management Discussion & Analysis 6

Management's Responsibility for Financial Statements 8

Auditors' Report 9

Financial Statements 10

Notes to the Consolidated Financial Statements 13

Historical Comparison 19

Corporate Data 20

TriNexus Holdings Ltd.

Big Sky Farms Inc.

101-04170/

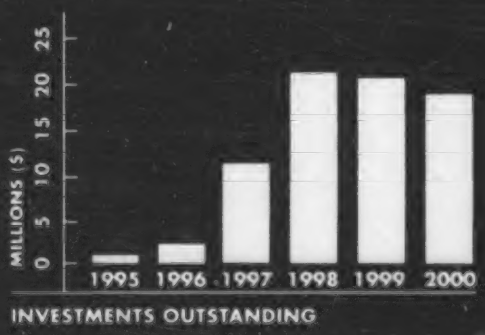
FUND PROFILE

Saskatchewan Government Growth Fund III Ltd. ("SGGF III") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

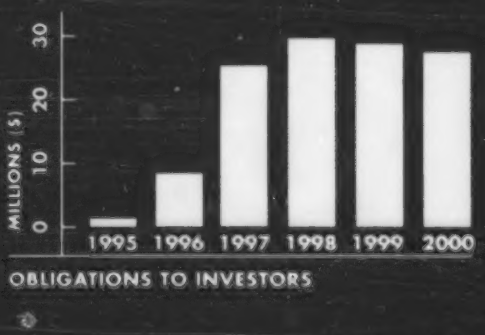
FINANCIAL RESULTS

The accumulated deficit in SGGF III now stands at $818,000. This is entirely related to accumulated provisions for unrealized losses on investments. With the cash reserves that SGGF III has built up, there is no immediate need to sell these investments. SGGF III intends to hold them as long as possible in the hope that their prices will recover.

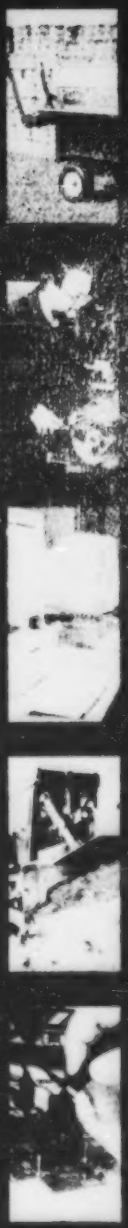
- Revenue from investments was $2.7 million.
- SGGF III is continuing its divestment process in order to provide the funds necessary for investor repayments.
- During its marketing period that began in 1994, SGGF III raised $29.5 million from 118 investors.
- Since inception, over $26 million of investments have been made in 12 eligible businesses.



INVESTMENTS OUTSTANDING



OBLIGATIONS TO INVESTORS



PEL Industries Inc.

Points North Digital Technologies Inc. Prairie Substance Corporation

TriNexus Holdings Ltd.

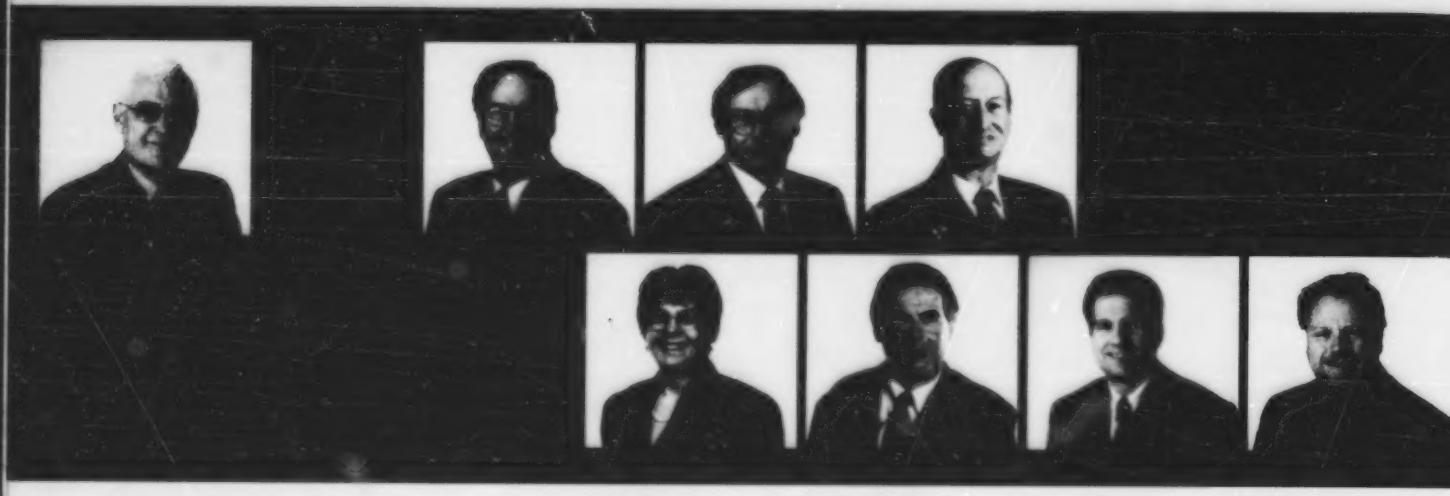
BOARD OF DIRECTORS AND OFFICERS

Gary Benson
President

Wilson Olive
Chair

Darrel Cunningham
Director

Gerald Edwards
Director



Joanne Farer
Director

Gordon Merther
Director

Keith Rissling
Director

Grant Scharfstein
Director

Big Sky Farms Inc.

Bicester Inc.

MESSAGE TO INVESTORS

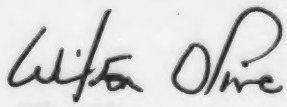
With the passage of time, the Saskatchewan Government Growth Fund III Ltd. has evolved into one of its final phases as an immigrant investor fund: that of liquidating investments and repaying immigrant investors as their notes mature. In December five investors were repaid, leaving 110 whose notes mature over the next several years. The last investor will not be repaid until January 2005.

SGGF III has significant cash and near cash assets of $8.5 million and has $6.1 million invested in a company that provides leases to government agencies. While these investments carry limited risk, the Fund does have $11.9 million invested in eleven small and medium sized enterprises (SMEs) that must be liquidated over the next year or two in order for SGGF III to meet its redemption schedule. Investments in SMEs are in the form of debt and equity instruments and by their very nature are very illiquid either because these securities are not traded on a public exchange or if they are, the trading volumes are very small. As a result, often we must look to the company itself to repay its obligations to SGGF III. If the company is performing well, repayment is not as difficult as when the company is experiencing financial problems.

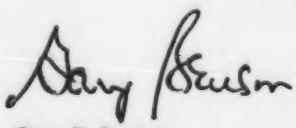
At the present time there are several SME investments in the SGGF III portfolio that are having operating and/or financial difficulties. As such, these companies may not be in a position to repay SGGF III when their obligations come due. We are monitoring the situation on a monthly basis and our investment managers are working with these companies to help them overcome their problems. In the event that conditions worsen and our forecast changes to project that the proceeds from these investments will be insufficient to repay all remaining investors in full at maturity, SGGF III will have no choice but to reduce the amount payable to each remaining investor at the time our forecast so changes, thereby ensuring that each remaining investor is treated equally.

On October 1, 2000 SGGF III and the Saskatchewan Government Growth Fund Management Corporation ("SGGFMC") entered into a contract with Crown Capital Partners Inc. ("CCP"), a wholly-owned subsidiary of Crown Life Insurance Company, Inc., to provide administrative and investment management services to the Fund and SGGFMC. Under this arrangement all the employees of SGGFMC became employees of CCP or Crown Life. Together with employees of Crown Life, CCP is able to provide more resources and additional investment expertise.

In conducting its business during the year 2000, the Board of Directors held eleven meetings in person and ten by teleconference. In December, John Johns and Alphonse Pasloske retired at the end of their three years terms. We thank them for their years of dedicated service. Darrel Cunningham, Grant Scharfstein and Wilson Olive joined the Board at the end of 2000. Mr. Olive was elected Chairperson in December.



Wilson Olive
Chair



Gary K. Benson
President

The following are company profiles of investments held during 2000, including the approved investment level and a brief description of each company's operations.

INVESTMENT PROFILES

Big Sky Farms Inc.
$3,750,000 Loans and common shares

Big Sky Farms operates a number of farrow to finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in the province. The company is currently expanding to other areas of Saskatchewan.

Biostar Inc.
$1,155,022 Common shares

Biostar is a Saskatoon-based biotechnology company using advanced technologies to develop and produce high value-added, bio-engineered vaccines for animals and humans. SGGF's debt position was converted to shares during the year and the company was sold for cash and an equity interest in another company.

Dutch Industries Ltd.
$1,000,000 Loan

Dutch Industries is a Regina-based manufacturing, repair, fabrication and steel supply company. It is a pioneer in the area of zero depth tillage technology for the North American agricultural industry and is a leader in the development and commercial use of windmill technology for agricultural, municipal and utility applications.

BelAir Energy Corporation
$500,000 Common shares

BelAir Energy Corporation is a publicly traded (Canadian Venture Exchange) company headquartered in Calgary, Alberta. The company is involved in the acquisition, exploration and development of natural gas and crude oil producing properties in Alberta and Saskatchewan.

Millstreet Development Corporation
$475,000 Common shares

Millstreet Development Corp. is headquartered in Regina, Saskatchewan, with operations in British Columbia, Alberta and Manitoba. The company markets, distributes and services specialized equipment for the application and storage of fertilizers and chemicals. It also delivers industrial services including maintenance, repair and fabrication services for heavy and resource extraction industries. The company's shares trade on the Canadian Venture Exchange.

PEL Industries Inc.
$1,000,000 Loan

PEL Industries is located in Swift Current, Saskatchewan. The company manufactures and sells agricultural related products that assist in the handling and movement of grain. These products include grain vacs, grain drops, aeration fans, air seed blowers, chaff spreaders and flexible harrow drawbars.

Points North Digital Technologies Inc.
$1,752,915 Common shares and loan

Points North Digital, located in Saskatoon, Saskatchewan, is a travel technologies company involved in travel information systems development. In addition, its assets include Canada's third largest retail travel agency network. The company's shares trade on the Canadian Venture Exchange. Points North repaid its loan during the year. Effective January 2, 2001 the company changed its name to Peragis Inc.

Big Sky Farms Inc.

Big Sky Farms Inc. Biostar Inc.

Points North Leasing Inc.
$2,188,268 Loans

The company, located at Points North Landing, Saskatchewan, owns aircraft, buildings, equipment and vehicles that are leased to a freight forwarding business serving northern Saskatchewan.

Prairie Sulphate Corporation
(formerly PSC Alsask Inc.)
$1,287,341 Loans and common shares

Prairie Sulphate Corporation is located at Alsask, Saskatchewan. The company manufactures potassium sulphate fertilizer, a specialty product used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens.

Techmatic Control Solutions Ltd.
$701,100 Loans

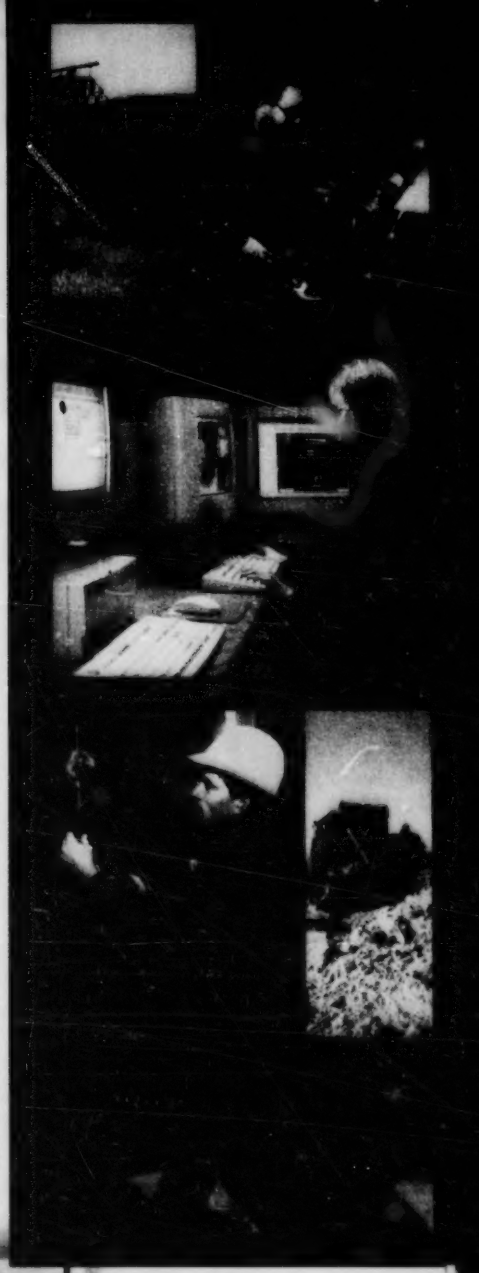
Techmatic Control Solutions, located in Saskatoon, Saskatchewan, manufactures fully automated commercial grain dryers with instrumentation providing complete details on moisture, temperature, gas consumption and ambient weather conditions. The company declared bankruptcy during the year.

TriNexus Holdings Ltd.
(formerly TriNexus Technologies Inc.)
$1,380,000 Common shares and loan

TriNexus is a publicly traded (Canadian Venture Exchange) Saskatoon-based company that specializes in the design and manufacture of products which enhance the voice and data services being provided by telecommunications companies throughout the world. SGGF converted a portion of its debt position into common shares during the year.

617275 Saskatchewan Ltd.
$10,747,500 Loans

The company, located in Regina, Saskatchewan, purchases equipment and vehicles for lease to Saskatchewan Crown corporations.

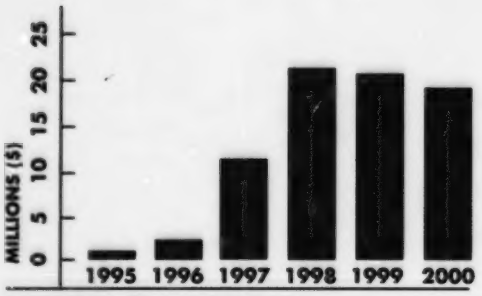


Dutch Industries Ltd.
PEL Industries Inc.
Points North Digital Technologies Inc.
Prairie Sulphate Corporation
Prairie Sulphate Corporation
TriNexus Holdings Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

SGGF III ended 2000 with an accumulated deficit of $818,000, due exclusively to accumulated provisions for unrealized losses on publicly traded investments. The cash reserves held by SGGF III mean there is no immediate need to sell these investments and therefore, SGGF III intends to hold them until their prices recover.

Investor repayments began in December 2000 and the fund has thus changed its primary focus of activity to one of investment liquidation in order to meet upcoming repayment obligations. Some small follow-on investments have been made when required to provide investee companies with additional funds as their businesses mature.



INVESTMENTS OUTSTANDING

Investment Activities

The board of directors approved a total of $1.4 million of investment during 2000. All were follow-on investments in companies already in the portfolio. In 1999, $840,000 was approved for follow-on investments.

A total of $1.4 million was invested in eligible businesses during the year. This is comparable to 1999 when a total of $1.2 million was invested. Of the current portfolio value of $19.3 million, 60% is invested in debt instruments and 40% in equity.

The provision for future investment losses in 2000 was $621,000 (1999 – $445,000). This loss provision adjusts impaired investments to their estimated net realizable value and publicly traded shares to the lower of their cost and market value.

Revenue from investments of $2.7 million in 2000 is comparable to 1999 when $2.6 million was earned. This reflects the relatively stable level of investment throughout the two years.

Investor Activities

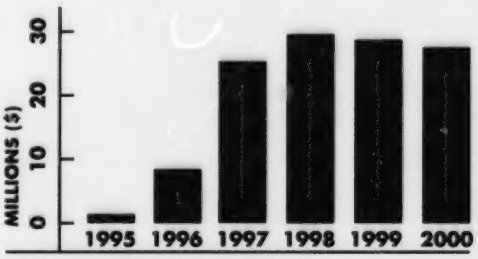
The significant investor activity that took place during the year was the beginning of investor repayments.

Prior to these redemptions, total subscriptions to SGGF III were $28.8 million, with 115 Notes having been issued. Subscription deposits from 4 investors continue to be held and it is hoped these remaining depositors will contribute their full subscription amounts in 2001 and thus provide an additional $1.0 million of investment capital to the fund.

The first Note maturities in SGGF III took place in December 2000 when five Notes were repaid in full. In the coming year, there are 22 Notes that mature, followed in successive years by 65 in 2002, 22 in 2003 and the last in 2004.

Cash from divestments will be used to redeem Notes as they mature. However, a portion of the investments held by SGGF III are of such a nature that the timing of and value at liquidation cannot be predicted with absolute certainty. Consequently, there is a risk that the fund will encounter difficulty in liquidating investments at an amount close to fair value at the time required to redeem the Notes.

In accordance with the terms the Offering Memorandum for SGGF III, all of the 110 investors with Notes outstanding at December 31, 2000 were paid their 2% Note interest for the year.



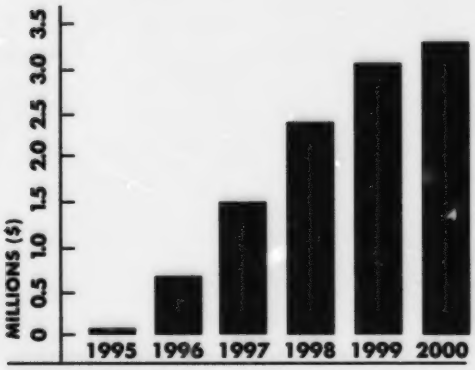
OBLIGATIONS TO INVESTORS

Points North Digital Technologies Inc. Prairie Sulphate Corporation

Operating Activities

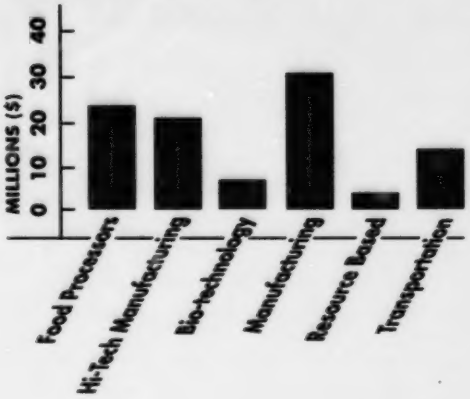
Administration costs represent direct charges for the ongoing administration of the fund. As a percentage of total assets managed, these costs amounted to 1.38% in 2000 compared to 1.15% in 1999.

Effective October 1, 2000, the administration and investment advisory services previously provided to SGGF III by SGGF Management Corporation were contracted out to a fund manager. The fund manager is paid a monthly fee for its services and will receive a share of the net profits, if any, of the fund after all liabilities, including investor obligations, of the fund have been paid.



TOTAL REVENUE

DISBURSED BY INDUSTRY



Administration costs include a $19,700 provision (1999 – $38,900) for future performance fees payable to investment advisors under the terms of their respective investment services agreements with the fund. These fees are payable by the fund to the advisors upon liquidation of their portfolio under management and upon the achievement of certain performance targets.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Saskatchewan Government Growth Fund III Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the consolidated financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these consolidated financial statements.

On behalf of management,

Gary K. Benson
President

Mike Merth, CA, CMA
Crown Capital Partners Inc.

Prairie Sulphate Corporation

TriNexus Holdings Ltd.

AUDITORS' REPORT

To the Shareholders and Investors of Saskatchewan Government Growth Fund III Ltd.:

We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund III Ltd. as at December 31, 2000, and the Consolidated Statement of Operations and Deficit and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
February 27, 2001

PEL Industries Inc.

Biostar Inc.

Dutch Industries Ltd.

Prairie Sulphate Corporation

Big Sky Farms Inc.

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund III Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Consolidated Statement of Financial Position
As at December 31

	2000	1999
Assets		
Cash and cash equivalents	$ 4,456,369	$ 3,890,377
Short term investments (Note 4)	4,000,000	4,000,000
Accounts receivable and accrued income	182,249	387,861
Investments (Note 5)	11,685,599	11,790,687
Equipment on operating leases (Note 6)	6,131,142	7,661,087
Deferred costs (Note 7)	512,571	970,293
	$ 26,967,930	**$ 28,700,305**
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (Note 8)	$ 113,724	$ 105,057
Commissions payable	70,250	110,250
Deferred revenue	-	30,233
Subscription deposits (Note 9)	100,010	232,510
Obligations to investors (Note 10)	27,500,000	28,750,000
	27,783,984	**29,228,050**
Share capital (Note 11)	2,003	2,005
Deficit	(818,057)	(529,750)
	(816,054)	**(527,745)**
	$ 26,967,930	**$ 28,700,305**

Commitments (Note 16)

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

TriNexus Holdings Ltd.

Big Sky Farms Inc.

Saskatchewan Government Growth Fund III Ltd.

Consolidated Statement of Operations and Deficit
For the Year Ended December 31

	2000	1999
Revenues		
Interest from cash, cash equivalents and short term investments	$ 554,988	$ 425,368
Income from investments	748,872	746,770
Lease revenue	1,918,005	1,863,894
Other income	66,003	72,039
	3,287,868	3,108,071
Provision for investment losses	263,581	275,000
Allowance for unrealized losses	356,956	169,984
	620,537	444,984
Net revenue	**2,667,331**	**2,663,087**
Expenses		
Administration (Note 13)	391,440	379,866
Interest on obligations to investors	576,530	582,370
Amortization of equipment on operating leases	1,529,945	1,408,309
Amortization of deferred costs	457,723	462,968
	2,955,638	**2,833,513**
Net loss	**(288,307)**	**(170,426)**
Deficit, beginning of year	(529,750)	(359,324)
Deficit, end of year	**$ (318,057)**	**$ (529,750)**

See accompanying notes to financial statements

Saskatchewan Government Growth Fund III Ltd.

Consolidated Statement of Cash Flows
For the Year Ended December 31

Cash flows from operating activities		
Net loss	$ (288,307)	$ (170,426)
Adjustments:		
Amortization of equipment on operating leases	1,529,945	1,408,309
Amortization of deferred costs	457,723	462,968
Gain on disposal of equipment on operating lease	-	(1,368)
Provision for investment losses	263,581	275,000
Allowance for unrealized losses	356,956	169,984
Net change in non-cash balances related to operations (Note 14)	144,046	142,080
Cash flows from operating activities	**2,463,944**	**2,286,547**
Cash flows from investing activities		
Disbursements on investments	(1,396,019)	(1,089,383)
Repayments from investments	880,567	806,178
Purchase of equipment on operating leases	-	(342,628)
Proceeds on disposal of equipment on operating leases	-	18,100
Cash flows from investing activities	**(515,452)**	**(607,733)**
Cash flows from financing activities		
Repayment of cash advance	-	49,716
Repayment of note subscriptions	(1,382,500)	(809,990)
Cash flows from financing activities	**(1,382,500)**	**(760,274)**
Net increase in cash and cash equivalents	**565,992**	**918,540**
Cash and cash equivalents, beginning of year	3,890,377	2,971,837
Cash and cash equivalents, end of year	**$ 4,456,369**	**$ 3,890,377**
Interest paid during the year	$ 576,530	$ 582,370

See accompanying notes to financial statements

Big Sky Farms Inc.

Biostar Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund III Ltd. ("SGGF III") was incorporated in October 1994 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF III was established to raise $35,000,000 through a note offering. Each note is a 2% unsecured, subordinated debt instrument with a cost of $250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGF III commenced commercial operations in 1995. The marketing period for SGGF III ended July 31, 1997.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF III is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF III or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Consolidation

The consolidated financial statements include the accounts of SGGF III and those of 617275 Saskatchewan Ltd. ("617275") on a proportionate basis. 617275 is an entity that is jointly controlled by SGGF III and other SGGF fund companies. 617275 was created to be an eligible business under the guidelines of the IIP. Loans from SGGF III to 617275 are used to purchase infrastructure-related assets that are leased to Saskatchewan Crown corporations under various operating leases. Principal and interest payments due under the loans to 617275 match the lease payments due under the operating leases.

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Deficit, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF III has significant influence are not consolidated.

Equipment on operating leases

Equipment on operating leases is recorded at cost. When equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Deficit.

Equipment on operating leases is amortized over its estimated useful life on a basis that matches the principal repayments under the related loans.

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF III's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

Commissions payable

According to the terms of a marketing agreement entered into by SGGF III, a commission is legally payable to the independent marketing agent selling the note upon the issuance of the investor's immigrant visa.

Deferred revenue

When past due interest is withheld from or immediately paid by an investee as part of a follow-on investment or protective disbursement, and the investee is classified as impaired, the interest is deferred and recognized as investment income when the investee is able to demonstrate the financial ability to pay its interest obligations.

Obligations to investors

Obligations to investors represent the notes issued to investors of SGGF III. Interest on notes is accrued at an annual rate of two percent (2%) from the date of note issuance. Interest is paid annually on December 31 of each year and at maturity.

3. Provisions of the IIP

Eligible businesses

One criteria of investment is the requirement that SGGF III invest in businesses with total assets of $35 million or less, including associated companies.

4. Short term investments

Included in short term investments:

	Cost	Maturity Date	Rate	Market Value (at Dec 31) 2000	1999
Province of Saskatchewan Bonds	$ 4,000,000	Oct 10, 2001	6.125%	$ 4,018,712	$ 4,006,792

5. Investments

	2000	1999
Debt	$ 5,456,488	$ 5,895,579
Equity	7,767,880	7,120,734
Provision for investment losses	(439,270)	(483,083)
Allowance for unrealized losses	(1,099,499)	(742,543)
	$ 11,685,599	$ 11,790,687

Included in investments are $4,145,811 (1999 – $2,427,712) of impaired investments, net of accumulated provision for losses of $439,270 (1999 – $483,083), upon which income is not accrued. During the year $307,396 (1999 – $nil) of investments and costs have been written off.

Equity investments include publicly traded shares at a cost of $3,484,150 (1999 – $2,812,650), with an aggregate market value of $2,789,212 (1999 – $9,819,789).

During the year, investments increased as follows:

	2000	1999
Balance, beginning of year	$ 11,790,687	$ 11,952,466
New investments	1,396,019	1,089,383
Repayments	(880,567)	(806,178)
Investments and costs written off	(307,396)	-
Net change in provision for investment losses	43,813	(275,000)
Net change in allowance for unrealized losses	(356,957)	(169,984)
Balance, end of year	$ 11,685,599	$ 11,790,687

6. Equipment on operating leases

	2000	1999
Equipment on operating leases	$ 10,052,258	$ 10,052,258
Accumulated amortization	(3,921,116)	(2,391,171)
	$ 6,131,142	$ 7,661,087

As described in Note 2, 617275 is jointly controlled by SGGF III and, is therefore, associated with SGGF III. 617275 is an ineligible business because the total assets of SGGF III and 617275 are greater than $35 million. SGGF III will take steps to disassociate itself from 617275.

7. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $1,623,980 (1999 – $1,253,758).

8. Accounts payable and accrued liabilities

Included in accrued liabilities is a $41,515 (1999 – $61,224) provision for future fees payable to an investment advisor under the terms of its investment services agreement with SGGF III. This amount is payable to the investment advisor upon liquidation of their portfolio under management and upon achievement of certain performance targets.

9. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon note issuance.

10. Obligations to investors

Notes – 2% unsecured subordinated notes.

The obligation at December 31 is:

	2000	1999
110 notes (1999 – 115 notes)	$ 27,500,000	$ 28,750,000

The following is the estimated redemption schedule for note repayments under the terms of the Memorandum for the year ended December 31:

2001	$ 5,500,000
2002	16,250,000
2003	5,500,000
2004	250,000
	$ 27,500,000

11. Share capital

The authorized common share capital of SCGF III at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2000	1999
2,000 (1999 – 2,000) Class A common shares	$ 2,000	$ 2,000

12. Financial instruments

SCGF III's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SCGF III's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SCGF III is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SCGF III invests. Some of the companies in which SCGF III invests are dependent upon a single product or industry. SCGF III manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SCGF III restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SCGF III conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SCGF III's earnings will decline due to fluctuations in interest rates. SCGF III manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SCGF III will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SCGF III's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SCGF III's obligations to investors. SCGF III carefully monitors the duration of its investments. However, these timing differences may require SCGF III to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Deficit in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SGGF III invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

Fair Value – Obligations to Investors

Obligations to investors represent the capital invested by immigrant investors in SGGF III. In addition to earning a nominal return on their capital, their investment in SGGF III helps satisfy a portion of their visa requirements under the IIP. Each investment in SGGF III is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

13. Administration

Under the terms of a ten year Management Agreement, expiring in 2004, between SGGF III and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF III with the assistance of various investment advisors and, beginning October 1, 2000, a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF III. All services provided to SGGF III are charged on a fee for service basis. The breakdown of costs is as follows:

	2000	1999
Investment advisors	$ 90,906	$ 181,938
Fund manager	146,023	-
Salaries and benefits	83,093	101,780
General administration	35,830	64,054
Directors fees and expenses	8,944	6,961
Legal and professional	26,644	25,133
	$ 391,440	$ 379,866

Included in investment advisors is a $19,710 (1999 – $38,946 provision for) recovery of future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF III. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

14. Net change in non-cash balances related to operations

	2000	1999
Accounts receivable and accrued income	$ 205,612	$ 150,185
Deferred costs	-	52,500
Accounts payable and accrued liabilities	8,667	(5,605)
Commissions payable	(40,000)	(55,000)
Deferred revenue	(30,233)	-
	$ 144,046	$ 142,080

15. Income taxes

Greater than 90% of the issued shares of SGGF III are owned by a provincial Crown corporation. Therefore, SGGF III is income tax exempt.

16. Commitments

The total amount of investments approved but not yet disbursed is $456,928 (1999 – $460,463).

17. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF III is related. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms.

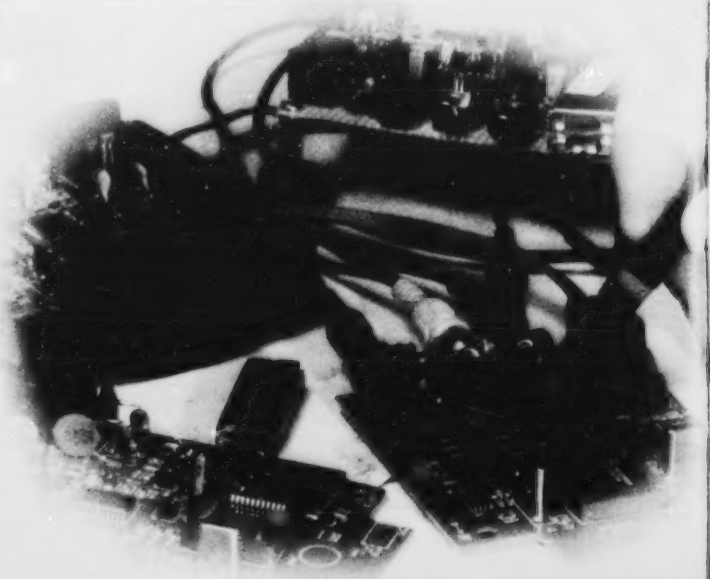
As stated in Note 13, SGGF III is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $411,150 (1999 –$340,920).

A short-term deposit in the amount of $4,000,000 (1999 – $4,000,000) is invested in Government of Saskatchewan Bonds. As at December 31, 2000, the short-term deposit and accrued interest in the amount of $55,028 (1999 – $55,028) has been included in the Consolidated Statement of Financial Position.

Other transactions with related parties are disclosed separately in the financial statements and the notes thereto.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current years' presentation.



HISTORICAL COMPARISON

Saskatchewan Government Growth Fund III Ltd.

Historical Comparison
(in thousands of dollars)

Financial Position

As at December 31

	2000	1999	1998	1997	1996
Assets					
Cash and cash equivalents	$ 8,456	7,890	6,972	16,603	20,053
Investments	17,817	19,452	20,696	11,611	2,318
Other assets	695	1,358	2,073	2,139	1,798
Total assets	$ 26,968	28,700	29,741	30,353	24,169
Liabilities & Equity					
Obligations to investors	$ 27,600	28,983	29,793	29,712	23,458
Other liabilities	184	245	305	553	687
Equity	(816)	(528)	(357)	88	24
Total liabilities & equity	$ 26,968	28,700	29,741	30,353	24,169

Operating Results

For the years ended December 31

	2000	1999	1998	1997	1996
Revenues					
Investment income	$ 749	747	603	303	98
Lease revenue	1,918	1,864	755	-	-
Interest from cash and cash equivalents	555	425	493	741	488
Other income	66	72	596	430	66
	3,288	3,108	2,447	1,474	652
Provision for losses on investments	620	445	672	108	-
Net revenue	2,668	2,663	1,775	1,366	652
Expenses					
Administration	391	380	413	309	236
Financing	2,565	2,453	1,807	992	384
Total expenses	2,956	2,833	2,220	1,301	620
Net (loss) income	$ (288)	(170)	(445)	65	32

CORPORATE DATA

Saskatchewan Government Growth Fund III Ltd.
Suite 1800 – 1874 Scarth Street
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 787-2994 Fax: (306) 787-2086
Email: sggf@sk.sympatico.ca

Board of Directors

Wilson Olive, Chair
Lawyer
Regina, Saskatchewan

Darrel Cunningham
Farmer
Lintlaw, Saskatchewan

Gerald Edwards
Retired Businessman
Regina, Saskatchewan

Joanne Forer
Businesswoman
Melfort, Saskatchewan

Gordon Mertler
Businessman
Regina, Saskatchewan

Keith Rissling
Businessman
Saskatoon, Saskatchewan

Grant Scharfstein
Lawyer
Saskatoon, Saskatchewan

Officers

Wilson Olive, Chair
Gary Benson, President

Fund Manager

Crown Capital Partners Inc.
Brian Johnson, Managing Partner
Gary Benson, Partner Responsible for SGGF
Chris Anderson, Partner
Rob Duguid, Partner
Chris Johnson, Partner
Alan Rowe, Partner
Chris Selness, Partner
Stephan von Buttlar, Partner
Mike Merth, CA, CMA, Controller
Nancy Layman, Fund Administrator

1800 – 1874 Scarth Street
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 546-8000 Fax: (306) 546-8009

Auditors

Deloitte & Touche
Chartered Accountants
Suite 1700 – 1874 Scarth Street
Regina, Saskatchewan S4P 4B3

Banker

CUCORP Financial Services
P.O. Box 3030. 2055 Albert Street
Regina, Saskatchewan S4P 3G8

Distribution Agent

Nexus Marketing Corporation
5th Floor, 191 Lombard Avenue
Winnipeg, Manitoba R3B 0X1

Investment Advisors

Crown Life Insurance Company
Suite 1900 – 1874 Scarth Street
Regina, Saskatchewan S4P 4B3

P. W. Lorch & Associates Ltd.
2935 McCallum Avenue
Regina, Saskatchewan S4S 0R3

Prairie Financial Management
2nd Floor, 1919 Rose Street
Box 202
Regina, Saskatchewan S4P 3A1

Mr. Roy Lloyd
114 – 801 Heritage Crescent
Saskatoon, Saskatchewan S7H 5R7

Legal Counsel

McDougall Gauley
Suite 700 – 2010 11th Avenue
Regina, Saskatchewan S4P 0J3

Trustee and Transfer Agent

CIBC Mellon Trust Company
One Lombard Place
Suite 750
Winnipeg, Manitoba R3B 0X3

Prairie Sulphate Corporation

PEL Industries Inc.

Big Sky Farms Inc.

Biostar Inc.

Dutch Industries Ltd.

SASKATCHEWAN GOVERNMENT GROWTH FUND III LTD.